APPENDIX

Statutes Involved

United States Statutes

Revenue Act of 1934, c. 277, 48 Stat. 680:

SEC. 23. DEDUCTIONS FROM GROSS INCOME.

In computing net income there shall be allowed as deductions:

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(c) *Taxes Generally.*—Taxes paid or accrued within the taxable year, except—

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(2) income, war-profits, and excess-profits taxes imposed by the authority of any foreign country or possession of the United States; but this deduction shall be allowed in the case of a taxpayer who does not signify in his return his desire to have to any extent the benefit of section 131 (relating to credit for taxes of foreign countries and possessions of the United States);

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SEC. 31. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax, to the extent provided in section 131.

SEC. 131. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES:

(a) *Allowance of Credit.*—If the taxpayer signifies in his return his desire to have the benefits of this section, the tax imposed by this title shall be credited with:

(1) *Citizen and Domestic Corporation.*—In the case of a citizen of the United States and of a domestic corporation, the amount of any income, war-profits, and excess-profits taxes paid or accrued during the taxable year to any foreign country or to any possession of the United States: and

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SEC. 204. INSURANCE COMPANIES OTHER THAN LIFE OR MUTUAL.

(a) *Imposition of Tax.*—In lieu of the tax imposed by section 13 of this title, there shall be levied, collected, and paid for each taxable year upon the net income of every insurance company (other than a life or mutual insurance company) a tax as follows:

(1) In the case of such a domestic insurance company, 13¾ per centum of the amount of its net income * * *

(b) *Definition of Income, Etc.*—In the case of an insurance company subject to the tax imposed by this section—

(1) *Gross Income.*—"Gross income" means the sum of (A) the combined gross amount earned during the taxable year, from investment income and from underwriting income as provided in this subsection, computed on the basis of the underwriting and investment exhibit of the annual statement approved by the National Convention of Insurance Commissioners, and (B) gain during the taxable year from the sale or other disposition of property, and (C) all other items constituting gross income under section 22:

(2) *Net Income.*—"Net income" means the gross income as defined in paragraph (1) of this subsection less the deductions allowed by subsection (c) of this section;

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(c) *Deductions Allowed.*—In computing the net income of an insurance company subject to the tax imposed by this section there shall be allowed as deductions:

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(3) Taxes as provided in section 23 (c);

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SEC. 205. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax of a domestic insurance company subject to the tax imposed by section 201 or 204, to the extent provided in the case of a domestic corporation in section 131, and in such cases "net income" as used in that section means the net income as defined in this Supplement.

Canadian Statutes

The Canadian statutes will be found in the record (R. 220-628). The pertinent provisions thereof are as follows:

Income War Tax Act, 1917, as amended by Revised Statutes of Canada, c. 97 (R. 400-628).

DEFINITIONS

2. In this Act, and in any regulations made hereunder, unless the context otherwise requires,

"Person."

(h) "person" includes any body corporate and politic and any association or other body, and the heirs, executors, administrators and curators or other legal representatives of such person, according to the law of that part of Canada tc which the context extends;

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"Taxpayer."

(k) "taxpayer" means any person paying, liable to pay, or believed by the Minister to be liable to pay, any tax imposed by this Act.

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PART I

Taxable Income

Taxable Income Defined

"Income."

3. For the purposes of this Act, "income" means the annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be whether derived from sources within Canada or elsewhere; and shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, and, whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source including

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Deductions and Exemptions Allowed

Exemptions and deductions.

5. "Income" as hereinbefore defined shall for the purposes of this Act be subject to the following exemptions and deductions:—

Depreciation and exhaustion.

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Depletion between lessor and lessee.

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Interest on borrowed capital.

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Travelling expenses.

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Deductions for superannuation or pension fund.

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Donations—10 per cent of net taxable income exempt.

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Deductions from Income not Allowed

Deductions not allowed.

6. In computing the amount of the profits or gains to be assessed, a deduction shall not be allowed in respect of

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Special War Revenue Taxes.

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Deductions from Taxes Allowed

Deductions of payments under Special War Revenue Act.

7. A taxpayer shall be entitled to deduct from the tax that would otherwise be payable by him under this Act, the amount paid for corresponding periods under the provisions of Parts II and III of the Special War Revenue Act.

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PART III

Charging Provisions

Persons Taxable

Persons liable to income tax.

9. There shall be assessed, levied and paid upon the income during the preceding year of every person

(a) residing or ordinarily resident in Canada during such year; or

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a tax at the rates applicable to persons other than corporations and joint stock companies set forth in the First Schedule of this Act upon the amount of income in excess of the exemptions provided in this Act; Provided that the said rates shall not apply to corporations and joint stock companies.

2. Save as herein otherwise provided, corporations and joint stock companies, no matter how created or organized, shall pay a tax upon income at the rate applicable thereto set forth in the First Schedule of this Act.

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Special War Revenue Act, 1915, as amended by Statutes of Canada, 1932, 22-23 Geo. V, pp. 342, 344:

PART III*

SEC. 14. (1) Every company authorized under the laws of the Dominion of Canada, or of any province thereof to transact the business of insurance, other than a mutual company carrying on business on the premium deposit plan and an exchange, shall pay to the Minister a tax of one per centum upon the net premiums received by it in Canada, less net premiums paid for reinsurance to companies to which this subsection applies, during the year 1932 and each calendar year thereafter.

SEC. 17. (1) Every company to which subsection one of section fourteen of this Act applies shall, on or before the last day of July, 1932 make a return to the Superintendent on a form to be furnished by him showing the gross premiums received by it, and the rebates, return premiums on cancellation of policies and reinsurance premiums paid by it, during the six months ending on the last day of the month preceding the date on which such return is filed, and quarterly thereafter a return in the

* Part III was originally Part I (R. 66-67).

same form and with the same information covering the three months ending on the last day of the month preceding the date on which such return is filed.

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(4) Every such company shall at the time of making such return remit to the Superintendent the amount of the tax payable under the provisions of this Part in respect of the net premiums received by it during the period covered by the return.